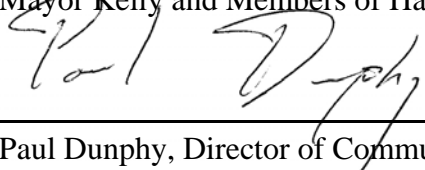


**Item No. 3**

**Halifax Regional Council  
October 28, 2008**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
Paul Dunphy, Director of Community Development

**DATE:** October 14, 2008

**SUBJECT:** Affordable Housing Provisions in Developments

**INFORMATION REPORT**

**ORIGIN**

June 24, 2008 Regional Council request

**BACKGROUND**

A "Councillor Request for Information" form regarding affordable housing was approved by Council on June 24, 2008. The form is included as Attachment A to this report and raises the following matters:

- How is affordable housing defined?
- What amendments to the Regional Plan are needed to require provisions for affordable housing in developments?
- Whether larger developments should make a financial contribution to a fund dedicated for affordable housing projects?
- Once established, how is the housing maintained as affordable?

## **DISCUSSION**

### **Housing Affordability**

There is a distinction between affordable *subsidized* housing and affordable *market* housing. Regarding the former, it is the mandate of the Province, rather than the Municipality, to administer the delivery of social services and subsidized housing. Thus, under current legislation, the Municipality has limited authority in the direct provision of this form of affordable housing. As such, the funding of affordable *subsidized* housing projects by land developers or builders is a matter that is beyond our authority.

However, all local governments in Nova Scotia are responsible for ensuring that their planning process and regulations provide for a suitable supply of housing and a range of types and locations to meet current and future community needs. Thus, affordable *market* housing relates to housing delivered by the private sector at affordable prices. As a rule of thumb, if approximately one third of household income goes to housing costs, the housing is defined as affordable.<sup>1</sup> This translates into a house price of about three times annual household income, depending upon down payment, mortgage rates and amortization periods.

For additional background, Attachment C is an Information Report to Council, dated February 21, 2008. The report describes trends in housing affordability within HRM, with comparisons to other areas of the country.

### **Regional Municipal Planning Strategy (MPS) - Affordable Housing Functional Plan**

Despite the Municipality's present lack of legislative authority with respect to the provision of affordable housing, Council's future intentions in this regard are clearly described in the Regional MPS. Attachment B of this report presents relevant excerpts from the Regional Plan on this subject, including the preparation of an Affordable Housing Functional Plan. This Functional Plan is intended to provide Council with a sound framework on which it can make decisions concerning the Municipality's level of involvement and methods of delivery in the physical and administrative provision of affordable housing within our communities.

Staff is in the process of developing the detailed work plan for the Affordable Housing Functional Plan, with project start-up commencing later this fall and an anticipated completion timeframe of approximately twelve months. The Regional Plan Advisory Committee will play a major role in this initiative, and updates will be provided to Council through the process.

A summary of the deliverables under the Affordable Housing Functional Plan include:

1. Creating a definition of affordable housing for the purpose of regional and local priorities;
2. An assessment of the housing needs of the region;

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1

Royal Bank of Canada Economics and Research Division. *Housing Affordability*. Sept. 2007.

3. Initiatives HRM can undertake to create more affordable housing;
4. Implementation mechanisms to deliver those initiatives, including financial and non-financial incentives;
5. A monitoring program to determine whether goals are being met; and
6. A public education and communication program on affordable housing issues and opportunities.

### **Current Initiatives and Administration**

Where a MPS provides, the MGA allows for “incentive or bonus zoning”. Bonus zoning allows HRM to increase development opportunities or relax certain requirements if a developer exceeds other requirements or takes other action in the public interest, such as including affordable housing units in the development. At present, none of the existing MPSs nor the Regional MPS provide for bonus zoning. Initiatives proposed under HRM by Design will allow a developer to offer a suite of public amenities, including affordable housing, in exchange for increased density of the development. Presently, this option is proposed to only apply to the area covered under HRM by Design; that is, downtown Halifax. Amendments to other MPSs would be required in order to use this option in other areas of HRM.

The provision of affordable housing on the part of HRM will also require a mechanism to ensure that affordable housing units are actually delivered and maintained as affordable. In some jurisdictions, notably BC, municipalities can enter into housing agreements with a developer to administer the affordable housing units. The legislation governing municipalities in BC explicitly enables these types of agreements, including the ability to specify rents charged as well as the form of tenure. The Nova Scotia MGA does not, at present, contain similar explicit reference to housing agreements.

Under HRMbyDesign, affordable housing is defined as housing where the provincial government provides assistance either for public or private market housing. Adherence to this requirement will be ensured and enforced through the standard permitting process.

### **BUDGET IMPLICATIONS**

There are no budget implications resulting from this report. The Affordable Housing Functional Plan may entail retaining specialist consulting expertise for certain components of the work. If this is the case, the award of an RFP for the consulting work will be the subject of a future Council report.

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

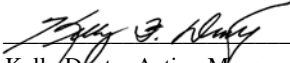
This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ATTACHMENTS**

- Attachment A: Councillor Request for Information Form: “Affordable Housing Provisions in Development Agreements”
- Attachment B: Excerpts from the Regional Plan Regarding Affordable Housing
- Attachment C: Information Report “Housing Affordability in HRM” dated February 21, 2008

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by : Fred Wendt, Planner 490-3971

Report Approved by:   
Kelly Denty, Acting Manager, Planning Services, 490-6011



### Councillor Request for Information

**✓ Included on Agenda**

(Submitted to Municipal Clerk's Office  
by Noon Thursday)

**Added Item**

(Submitted to Municipal Clerk's Office  
by Noon Monday)

**Date of Council Meeting: June 24, 2008**

**Subject: Affordable Housing Provisions in Development Agreements**

**Request:**

Please add the above item to the agenda for June 24, 2008. A recommendation report is requested on the above matter.

**Reason:**

I am seeking council's support in having staff review what amendments can be made to the Regional Municipal Planning Strategy to require provisions for affordable housing. I would like staff to review options similar to the parkland dedication program where larger developments would be required to provide lots and/or homes as affordable options. In single building projects, or smaller projects, I ask staff to explore whether a financial contribution can be made to a fund dedicated towards enabling affordable housing projects.

I would request that staff review systems used in other Canadian cities particularly usage of long term covenants on lots provided as affordable to prevent acquisition and resale of properties for profit (flipping).

As well, what is affordable is difficult and not well defined. Some Canadian municipalities have targeted \$160,000 as the house / lot sale price for a small house (FORUM magazine from FCM). I request that a determination of what could reasonably be considered affordable in HRM be considered, and how and if that value could be adjusted by CPI over time.

**I would like this response as:**

- Email to Mayor and / or Councillor / Municipal Clerk's Office
- Memo to Mayor and / or Councillor / Municipal Clerk's Office
- Information Report to  Community Council  Regional Council
- Recommendation Report to  Community Council  Regional Council

Jackie Barkhouse 8  
*Jackie Barkhouse*  
 Councillor District (Number)

**Attachment B**  
**Excerpts of the Regional Plan Regarding Affordable Housing**

**3.6 HOUSING DIVERSITY AND AFFORDABILITY**

Housing is fundamental to HRM's quality of life, social inclusion, future growth and development. The need for shelter is universal, and housing is a powerful determinant of the quality of one's life, including health, safety, and access to public amenities. This Plan recognizes a continuum of housing affordability and the different but complementary roles that the market and different levels of government can play in ensuring that housing options exist for a range of needs and income levels. HRM is not responsible for the delivery of social services and subsidized housing, however all local governments in Nova Scotia are responsible for ensuring that their planning processes and regulations provide for a suitable supply of housing in a range of types and locations to meet current and future community needs. The goal of the Provincial Statement of Interest Regarding Housing in the *Municipal Government Act* is "to provide housing opportunities to meet the needs of all Nova Scotians." The statement further requires that,

"Planning documents must include housing policies addressing affordable housing, special-needs housing and rental accommodation. This includes assessing the need and supply of these housing types and developing solutions appropriate to the planning area. The definition of the terms affordable housing, special-needs housing and rental housing is left to the individual municipality to define in the context of its individual situation."

HRM may not be able to influence all of the factors related to the development of a variety of housing types. The Municipality, however, can support housing affordability and social inclusion by ensuring that municipal policies, regulations and processes encourage efficient development and open up opportunities for diverse, innovative and well-designed housing. The Municipality can also support non-profit housing providers and developers by considering, where feasible, requests for land priced at below market value, offering tax reduction and tax deferral programs and awarding community grants for initiatives that advance the goals of this Plan.

With respect to housing, the role of the provincial government in 2006 is to manage public, cooperative and non-profit housing units, to administer and license programs related to child and foster care and to deliver special needs housing. In HRM, there are approximately 6100 social housing dwelling units (4% of total housing stock) that are home to 15 000 individuals. The provincial government owns approximately 4500 of these units where rent is based on annual household income. They range from single detached dwellings to high-rise apartment buildings.

In addition, there are about 1600 non-profit and co-operative housing units built under federal social housing programs. Residents of these housing projects include seniors, families and single individuals. These housing units are owned by their respective non-profit and co-operative sponsors and each housing project has its own operating agreement with Canada Mortgage and Housing

Corporation. The federal government provides subsidies to existing and new social housing projects, and the three levels of government have a history of partnering on local housing initiatives.

The price of housing has experienced significant inflation over several years prior to the adoption of this Plan. It is not possible to accurately predict the level of price change in the future as it depends on many factors, most of which are beyond the control of HRM. However, this Plan supports development of affordable housing across the economic spectrum in a number of ways by:

1. identifying parcels of land for development of new housing in both serviced and unserved areas based on projected market trends - additional reserve areas have been identified which may be considered if growth outpaces projections;
2. encouraging more compact forms of development that can lead to cost avoidance associated with elongated infrastructure and widespread services;
3. creating many location choices for housing development in a broad range of growth centres in urban, suburban and rural areas;
4. creating opportunities for a mix of housing types at a range of price levels within growth centres;
5. reducing dependency on private automobile travel through increasing access to public transit - transit use is encouraged by supporting growth in locations where transit can be most economically provided and also by creating a framework of transit-friendly community design;
6. monitoring housing and demographic trends, and the supply of available lots for housing on an ongoing basis so that adjustments may be made in the event that projected housing demand surpasses available supply;
7. encouraging secondary planning efforts to consider more options for diverse and special needs housing; and
8. encouraging innovation in housing design, developing affordable housing targets and incentives, developing partnerships, and engaging in public education and community facilitation processes at the community level...

### 3.8.2 Affordable Housing Functional Plan

This Plan recognizes a continuum of affordable housing and the different but complementary roles of the market and different levels of government and the non-profit sector in this regard. While the vast majority of housing in HRM will not require any municipal intervention (apart from a supportive regulatory framework and a fair and efficient development process), in some cases HRM may opt to develop incentive programs and partnership agreements to take advantage of and to complement federal and provincial housing programs.<sup>16</sup>

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<sup>16</sup> See Tomalty, R. and Cantwell, R. *Municipal Land Use Policy and Housing Affordability in 16 HRM*. 2004. and Tomalty, R. and Jozsa, A. *The Potential for Partnerships in Community Reinvestment and Affordable Housing in HRM*. 2004.

The Affordable Housing Functional Plan should consider:

1. creating a definition of affordable housing for the purpose of regional and local priorities;
2. preparing a housing needs assessment and developing neighbourhood change indicators;
3. establishing implementation mechanisms to ensure a reasonable distribution of adequate, acceptable and affordable housing including financial and non-financial incentives;
4. creating and monitoring affordable housing targets;
5. identifying funding opportunities and partnership possibilities for housing projects;
6. identifying strategies that encourage innovative forms of housing;
7. identifying areas requiring neighbourhood revitalization through community input and support;
8. identifying possible locations for affordable housing demonstration projects;
9. identifying possible incentives for non-profit and for-profit affordable housing developers such as bonus zoning;
10. investigating the potential of HRM real estate assets and business strategies (acquisition, leasing and sale) to support affordable housing retention and development;
11. creating a public education and communication tool kit to address a range of housing issues; and
12. developing accessible and adaptable housing design guidelines.

S-40 HRM shall prepare an Affordable Housing Functional Plan to meet its affordable housing needs in a phased approach using a range of incentives and implementation tools.



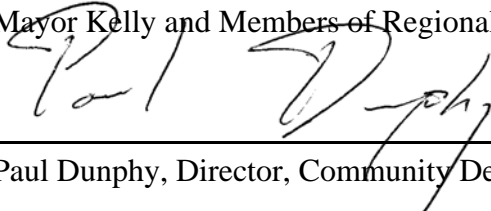


PO Box 1749  
Halifax, Nova Scotia Attachment C  
B3J 3A5 Canada

**Item No.**

**Halifax Regional Council  
February 26, 2008**

**TO:** Mayor Kelly and Members of Regional Council

**SUBMITTED BY:**   
Paul Dunphy, Director, Community Development

**DATE:** February 21, 2008

**SUBJECT:** Housing Affordability in HRM

## INFORMATION REPORT

### ORIGIN

During Council's deliberations regarding a capital cost charge for regional wastewater facilities, the issue of whether new capital cost charges were having a negative impact upon housing affordability was discussed. Staff committed to provide Council with information regarding trends in housing affordability each time a new capital cost charges is introduced. A new capital cost charge for regional solid waste is now being proposed.

**EXECUTIVE SUMMARY**

This report reviews housing data and trends and presents the following conclusions:

- Housing prices in HRM are increasing but the Region still compares favourably with other areas of the country on affordability measures.
- While the average new house price has been increasing, there are houses available in a range of price points.
- Some of the price increase in single detached houses is due to a trend towards constructing larger and therefore more expensive homes.
- Resale homes are available at lower, and therefore more affordable, prices than new homes.
- An increasing supply of alternative, and more affordable, housing is becoming available on the new housing market.
- Rent increases are likely to stabilize as more multiple units are constructed and vacancy rates increase.
- Staff will be commencing an Affordable Housing Functional Plan in 2008 as part of implementing the Regional Plan.

**BACKGROUND**

A Regional Capital Cost Contribution (CCC) for wastewater facilities was adopted by Council on March 27, 2007. The impact of this capital cost charge and future charges upon housing affordability was discussed. Staff committed to providing Council with information on housing affordability trends in HRM each time a new capital cost charge is introduced. A new charge for regional solid waste infrastructure is now being proposed for Council's consideration.

**DISCUSSION**

**Housing Affordability**

There is a distinction between affordable *subsidized* housing and affordable *market* housing. This report addresses affordable *market* housing, which relates to housing delivered by the private sector at affordable prices. As a rule of thumb, if approximately one third of household income goes to housing costs, the housing is defined as affordable.<sup>17</sup> This translates into a house price of about three times annual household income, depending upon down payment, mortgage rates and amortization periods.

**HRM Affordability Compared with Other Regions**

Housing affordability in a region is a function of both:

- the cost of housing; and
- the income available to a household.

High house prices on their own do not necessarily mean an area has unaffordable housing. Incomes may be correspondingly high enough for households to purchase relatively expensive homes. The

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<sup>17</sup> Royal Bank of Canada Economics and Research Division. *Housing Affordability*. Sept. 2007.  
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Royal Bank of Canada tracks housing prices and household incomes across Canada and publishes an affordability index which gauges relative affordability among regions of the country. The housing affordability index is the portion of the median income in an area required to purchase an average house. For example:

- in Vancouver, over 70% of median household income is needed to buy a standard single detached house;
- In HRM just over 32% of household income is needed to purchase the same type of house<sup>18</sup>.
- For single-detached bungalows, HRM is more affordable than most regions of Canada.<sup>19</sup> (See Figure 1)

### **Rate of Price and Rental Increases**

As with all products and services, house prices are increasing. Statistics Canada data indicates that price increases in HRM are consistent with similar-sized cities across Canada as well as the national average (See Figure 3). With respect to rental accommodations, the Federation of Canadian Municipalities Quality of Life Indicators show that rents for two bedroom apartments in HRM are consistent with the national average<sup>20</sup> (See Figure 2).

### **Land Costs**

The selling price of a house includes the cost of land (including development costs), and other cost inputs for the house itself (construction materials, labour, etc.). The final selling price is also influenced by market forces of supply and demand. For example, when developed land becomes very expensive, the land-only portion of the total selling price increases relative to the cost of the house itself. CMHC data indicates that in HRM, the cost of land, as a proportion of the total selling price for the home, has not changed over the past several years (Figure 4).

It should be noted that the Master Plan areas in the Regional Plan (Morris-Russell Lake, Bedford South, and Bedford West) are areas where the costs to provide central services were identified as being the least expensive in the region. Developing these areas will contribute to keeping the land portion of the cost of housing reasonable.

### **Trends in Housing Affordability**

As shown in Figure 5, the cost of housing is increasing in HRM. However, income growth in recent years has not kept up with the rate of increases in house prices. According to the Federation of Canadian Municipalities' Quality of Life Report, this is especially true for lone-parent and single-person households. Further, rents in the cheapest (and therefore most affordable) rental accommodations in HRM have increased faster than in the more expensive units.<sup>21</sup>

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<sup>18</sup> Data for HRM was extrapolated using Atlantic Canada data - HRM has slightly higher values than the Atlantic region as a whole.

<sup>19</sup> Royal Bank of Canada, Economics and Research Division. *Housing Affordability*. Jan 2008.

<sup>20</sup> Federation of Canadian Municipalities. *Quality of Life Indicators*.

<sup>21</sup> Federation of Canadian Municipalities *Trends and Issues in Affordable Housing & Homelessness*. 2008.  
r:reports\other\Affordable Housing Info Feb 08

RBC reports that while housing affordability has declined in Halifax in the last few years, price growth is expected to soften in 2008.<sup>22</sup> CMHC also indicates that while price growth for single detached houses has been high in recent years, increases will be more in line with inflation at 2.4% in the coming year. CMHC suggests that while rising land, development and labour costs are responsible for some of the price increases, that a trend toward larger and therefore more expensive houses has also helped drive up average house prices.

CMHC projects an increase in the construction of multiple unit buildings will provide an alternative to purchasing a single detached house. With more units on the market and rising vacancy rates CMHC concludes this will tend to keep rent increases to a minimum.<sup>23</sup>

### **HRM Housing Activity**

#### **a) New Housing**

In 2007, there were 1207 new single detached units occupied in HRM. The average price for these houses was \$332,821. Across the Region, prices ranged from an average of \$230,255 in the eastern end of HRM to \$431,878 in the Halifax area. Across the Region, about one quarter of new houses were priced below \$250,000<sup>24</sup>. These homes would be affordable to a household earning slightly more than \$80,000 per year, which, according to FCM, was the average income for couple-households (that is, two related adults, with or without children) in HRM for 2005.

#### **b) Resale Housing**

Most of the housing activity in HRM is in the resale market - existing homes bought and sold. In 2007, an estimated 6,942 houses were purchased at an average price of \$215,645. Average prices in sub-markets ranged from \$160,753 in Sackville to \$274,393 in Bedford/Hammonds Plains.<sup>25</sup> Using a three-times-income rule, a household earning just under \$54,000 per year would be able to afford an average resale house in Sackville.

#### **c) Rentals**

In HRM, 66% of residents own their own home while 34% are renters. Average rents have increased over the years from \$747 per month for a 2 bedroom apartment in 2004 to a projected \$840 for 2008<sup>26</sup> or a 12.4% increase over the five year period. Rent increases over the last year have been slightly higher than inflation for the same period.<sup>27</sup> Vacancy rates have remained near a market equilibrium over the last five years, meaning on average enough units are available to satisfy supply without adversely affecting either renters or investors.

### **Table 1 HRM Housing Statistics**

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<sup>22</sup> RBC Housing Affordability Jan 2008

<sup>23</sup> CMHC. *Housing Market Outlook, Halifax CMA* Fall 2007

<sup>24</sup> CMHC. *Housing Now Halifax Census Metropolitan Area*. Jan 2008

<sup>25</sup> CMHC. *Housing Now Halifax Census Metropolitan Area*. Jan 2008

<sup>26</sup> CMHC. *Housing Market Outlook*. Fall 2007.

<sup>27</sup> CMHC. *Housing Outlook Conference*. Feb. 6, 2008. Halifax.

Year	MLS sales	MLS average price	New single starts	New single average price	New multiple starts	Rental vacancy rate %	2 Bedroom avg rent
2004	6371	\$173,922	1510	\$233,914	1117	2.9%	\$747
2005	6496	\$188,115	1216	\$263,663	1235	3.3	\$762
2006	6228	\$201,734	1056	\$292,665	1455	3.2	\$799
2007	6942	\$215,645	1207	\$332,821	1282	3.1	\$815
2008	6500	\$223,000	1125	\$340,000	1375	3.5	\$840

Source: CMHC *Housing Market Outlook, Halifax CMA*. Fall 2007 and CMHC *Housing Now, Halifax CMA* Jan 2008. Figures for 2008 are projected

### **Demographics Shifts**

There have been some fundamental shifts in the make-up of HRM households. For example, household size has been shrinking, from 2.6 people per household in 1996 to 2.4 in 2006. There has also been a shift in household types from traditional couple-with-children households to other types such as single-parent, single-person, and non-family households. In 2006, only one in four of all HRM households are traditional couples-with-children households.<sup>28</sup> As well, both the number and proportion of the seniors population is increasing and expected to grow significantly in the coming years as baby boomers age.<sup>29</sup> The implications of these shifts are that there will be increased demand for different types of housing, away from traditional single detached units.<sup>30</sup> New housing activity in HRM shows a trend toward a greater proportion of multiple units over singles.<sup>31</sup>

### **HRM Affordable Housing Initiatives**

The Regional Plan provides for the development of an Affordable Housing Functional Plan. This Functional Plan will include a variety of elements including:

1. An assessment of the housing needs of the Region;
2. Initiatives HRM can undertake to create more affordable housing;
3. Implementation mechanisms to deliver those initiatives;
4. A monitoring program to determine whether goals are being met; and
5. An education and communication program on affordable housing issues.

The Master Plan and HRM by Design initiatives also encompass a housing affordability component. The Master Plan areas encourage development in areas where new land is least expensive. HRM by Design encourages infill development in the urban centre where central services already exist.

### **BUDGET IMPLICATIONS**

<sup>28</sup> Statistics Canada, 2006 census

<sup>29</sup> Clayton Research. *Employment, Population and Housing Projections in HRM*. 2004.

<sup>30</sup> Clayton Research. 2004

<sup>31</sup> CMHC *Housing Now Halifax CMA*. Jan 2008

None

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ATTACHMENTS**

Figure 1: Royal Bank of Canada, Affordability Index January 2008, Detached Bungalow

Figure 2: Federation of Canadian Municipalities Quality of Life, Two Bedroom Apartment Rental Costs

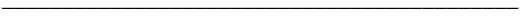
Figure 3: Statistics Canada, New House Price Index, 2002-07

Figure 4: CMHC, Ratio of Land-Only Index vs Total Selling Price Index

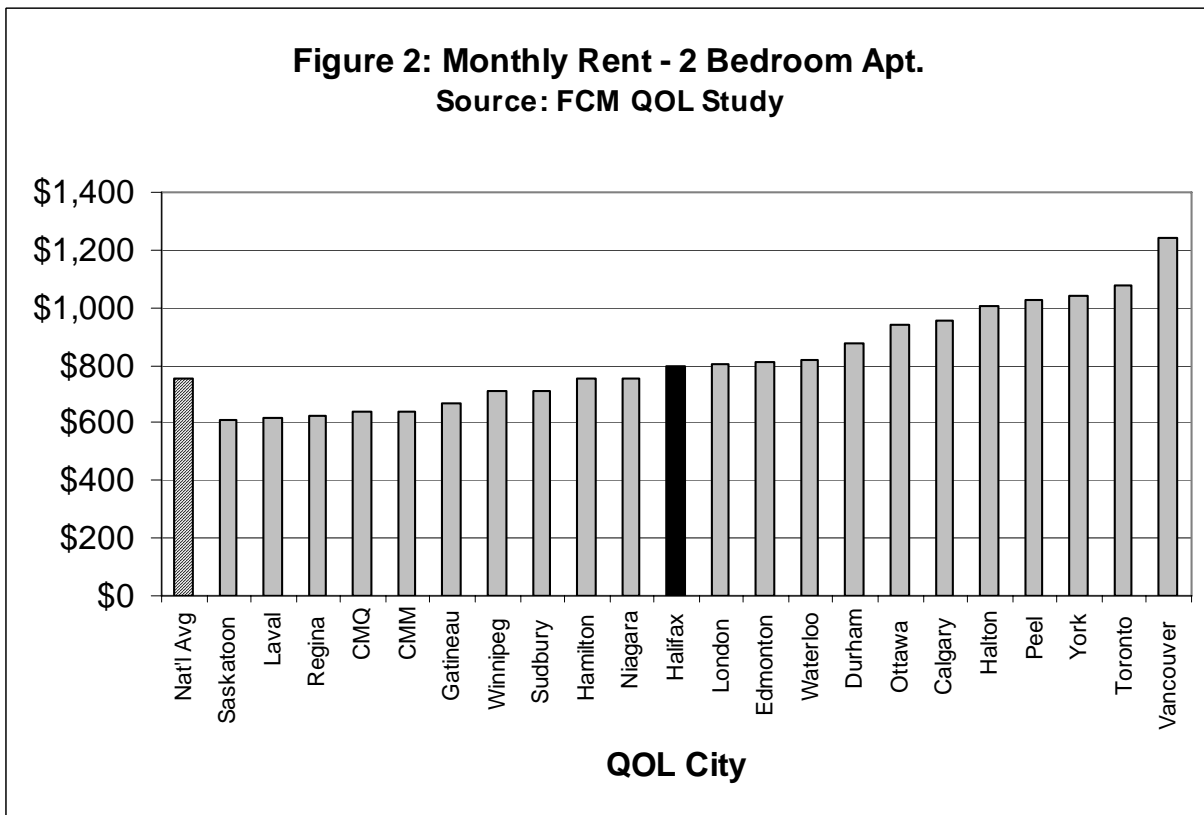
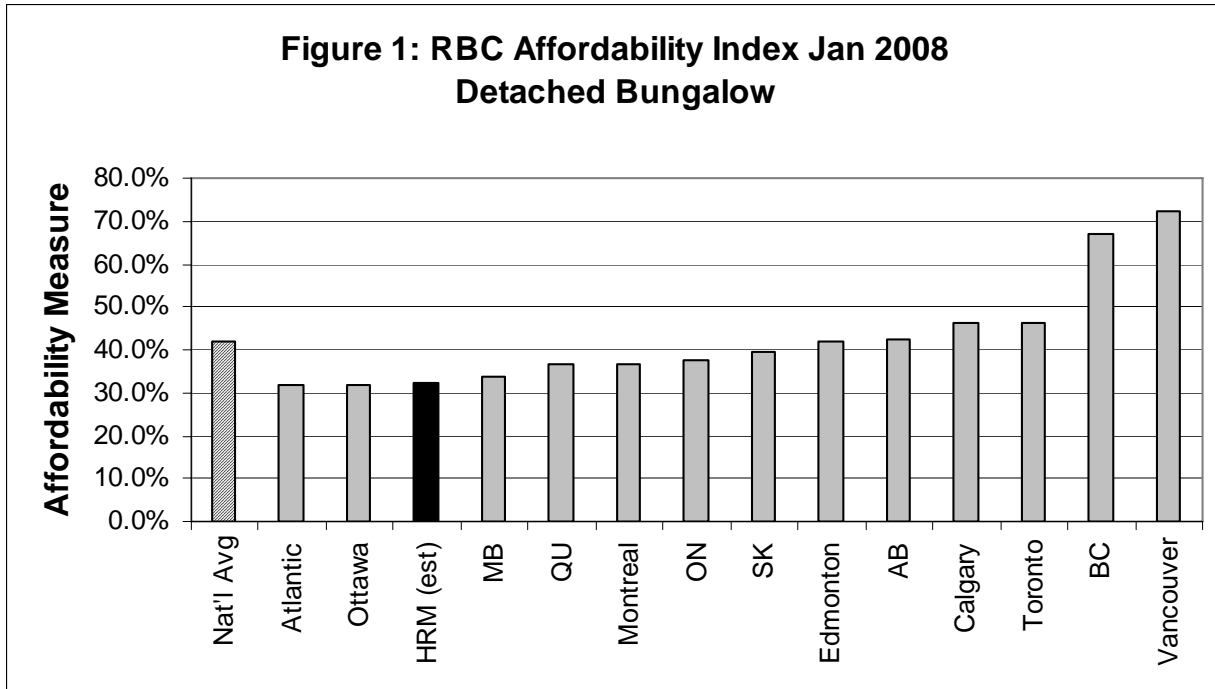
Figure 5: CMHC Housing Price Trends in HRM

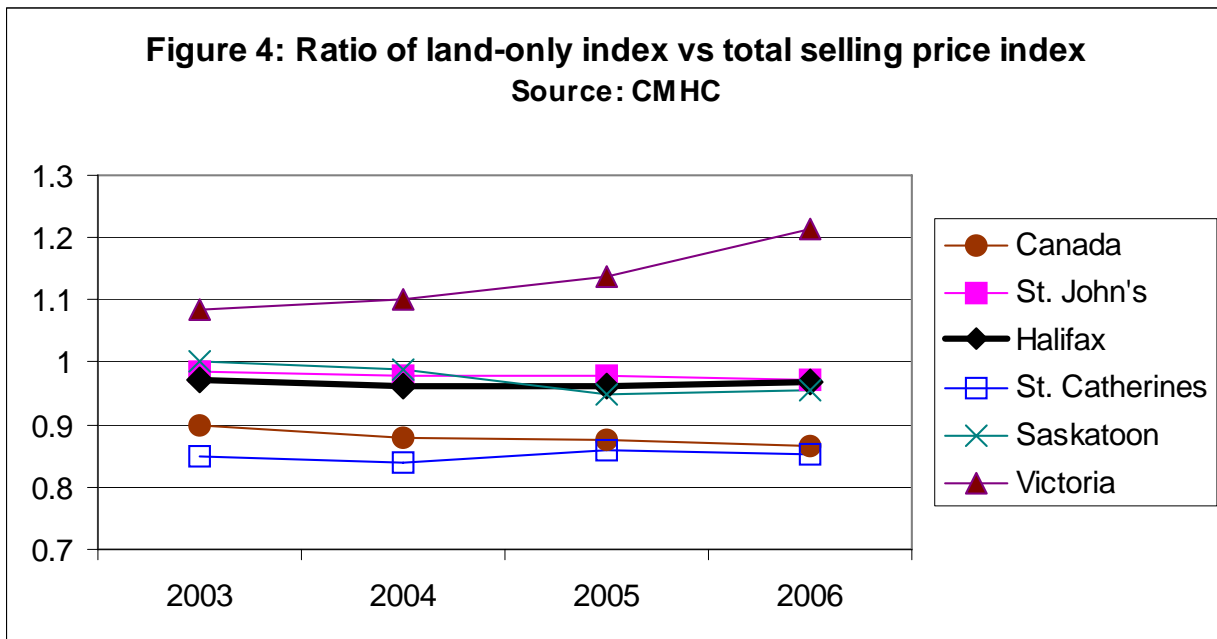
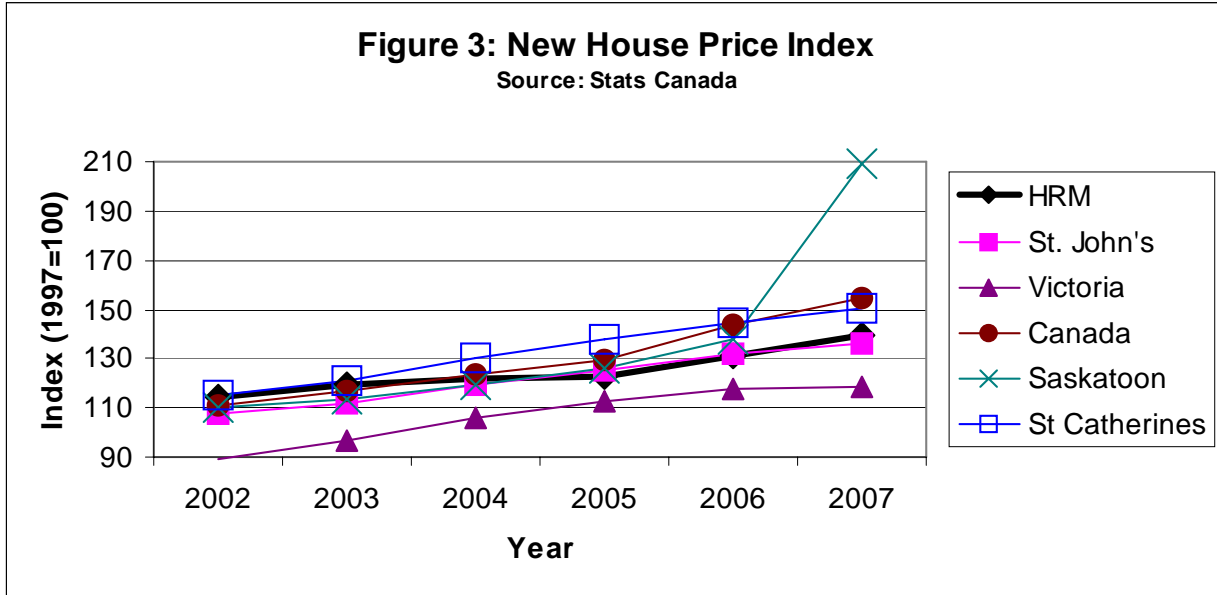
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Report Prepared by : Fred Wendt, Planner 490-3971

Report Approved by:   
Austin French, Manager, Planning Services, 490-6717









**Figure 5: Housing Price Trends in HRM**

Source: CMHC

